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ABSTRACT

This document introduces the concept of electronic human resources (eHR) and its application. Chapter 1 presents a brief overview of the guide's development, purpose, and structure. Chapter 2 defines the concept of eHR as "the application of conventional, Web, and voice technologies to improve HR administration, transactions, and process performance" and discusses the related concepts of "business to employee" and "business to consumer." Chapter 3 discusses the reasons organizations typically seek to adopt eHR. Chapter 4 reviews eHR's current applications and the Web-enablement of key HR processes, including e-recruitment and e-learning. Chapter 5 considers the impact of eHR on the service delivery model adopted by the HR function, its relationship to third parties, and the changes required of HR professionals own skills and capabilities. Chapter 6 discusses the following lessons learned by organizations that have implemented eHR: (1) align eHR with the organization's business strategy; (2) adopt "employee-centric" design implementation; (3) customize or personalize eHR activities whenever possible; (4) ensure sufficient access for all employees; (5) expect user resistance; (6) be realistic about what eHR can offer; and (7) develop strategies to manage change. Also examined in Chapter 6 are some of the challenges organizations face when implementing technology-dependent innovations and HR services. The bibliography lists 46 references. (MN)

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Executive Summary

This report is an introductory guide to the concept of eHR and its application. It describes some of the models and identifies a number of challenges.

For the purposes of the report, eHR is defined as:

> *the application of conventional, web, and voice technologies to improve HR administration, transactions and process performance.*

It is linked to the broader concept of B2E that embraces a wider range of applications than simply HR ones. Technology has only recently developed in a way that enables eHR to make its mark, especially the introduction of corporate intranets and web-enabled HRIS. The nature of the development path, however, varies considerably from organisation to organisation. There is a direction of travel from static information provision to dynamic interactive functions. There is also typically a move from single project-based initiatives (on recruitment, for example) through web-enabled self-service models, to advanced B2E solutions that seek to influence employee relationship management.

Organisations adopt eHR for reasons that include:

- the aim of HR service improvement, making it more strategic and business focused. This may be facilitated by e-developments
- the objective of cost cutting and aiding operational efficiency
- the desire of the HR function to change the nature of its relationship with employees and line managers
- the transformation of HR into a customer-focused and responsive function
- the offer of services that fits the new world of work and is attractive to current and future staff

- the ability to produce comprehensive and consistent management information.

There is little independent evidence on the extent of take-up of eHR. Most of the research is from the USA, and is carried out by consultants and vendors.

Before embarking on eHR, organisations should review and optimise their business processes. This may be a case of major process redesign, or a more tactical exercise tackling areas of concern. Following a process review, a common next step is to introduce a form of self service. This is likely to involve employee self service, where staff can access their personal record and update it or add new information. Manager self service is usually a logical development, allowing the sign-off of various decisions or proposals. Organisations can then avail themselves of a wide range of other applications:

- e-recruitment
- e-learning
- performance management
- e-reward.

Going beyond transactional improvements, some organisations are concerned to make relational differences. This might be via better communication mechanisms, knowledge management, or by enhancing the employee proposition or brand.

In considering eHR, organisations have a number of design decisions to make:

- What proportion of services will be delivered through employee and manager self service?
- What are the best means of delivery – voice, web or call centre technologies, for what circumstances?
- How do the above delivery mechanisms link up with generalist HR 'business-partners', specialist advisers, centres of excellence *etc.*?
- Where do you locate call and service centre(s)? How important is co-location, or can you support a dispersed delivery of services?

- Which services will be delivered via a shared service centre? What kind of shared service – separate entity, internal cost or profit centre, outsourced?

Redesigning the HR function will impact on the roles and skills of HR staff. There will be many areas of upskilling as the move away from transactional work gathers pace. This will stretch the capability of staff, not just in terms of technological facility but also in customer and relationship skills.

A number of challenges face those moving to eHR.

- There is an imperative to align any investment in eHR with the strategy of the business.
- The design of eHR should take account of the needs of a varied workforce, their access to, and familiarity with, technology.
- It is desirable to customise your eHR offering wherever possible (within reasonable costs). This could be by location or activity
- Resistance to change is likely, especially within the HR function. Users are also likely to be uncertain, unless their requirements are acknowledged at an early stage.
- Information overload – managers and employees may get weighed down by the volume of communication in a way that they may perceive as more intrusive than in the past.
- Will eHR actually improve organisational performance, and what is the best way to measure this?

1. Introduction

This report aims to provide an introduction to the rapidly evolving field of eHR. Along the way, it attempts to highlight some of the practical challenges of implementing eHR in major UK employing organisations. It is based largely on discussions with HR professionals who, as members of the IES Resourcing and Organisation Research Network, attended two network events in December 2001 and February 2002 on the subject of eWorking and eHR.

These participants represented about thirty large organisations in both the private and public sectors, including international companies. Although, as a Network, there are significant differences in terms of their ambitions for eHR and progress made to date, they also shared many common concerns. The phrase 'Network members' will be used when referring to this group in the text of this report.

A review of the literature on eHR was made and relevant material is referenced throughout this paper. The literature is currently dominated by the views of the major software vendors and solutions providers. There is a noticeable absence of empirical research on eHR, reflecting the rapid evolution of the practice and problematic nature of access to employers during such periods of change.

We also draw on a number of relevant IES research projects on topics that include: *Shared Services and the Realignment of HR* (Reilly 2001); *Retaining Key Employees* (Bevan, Harper 2000); *Measuring up: Benchmarking Graduate Retention* (Tyers *et al.*, 2003); *Evaluating e-learning* (Pollard, 2001); and *Resourcing the Training and Development Function* (Carter *et al.*, 2002).

This paper does not claim to be a comprehensive review of the use of Information and Communication Technology (ICTs) by the HR function. This is a rapidly evolving field in which new applications and practices emerge at a tremendous pace. This paper is intended as an introductory guide to the concept of eHR and its implications for HR management. It attempts to identify the differing models of eHR, as currently used by employers, within the wider context of HR strategy and highlights a few of the, as yet, unresolved challenges. Our hope is that it will be of use to all those wishing to understand what eHR is really all about and that it will encourage further, more in-depth, dialogue and research.

The structure of this report is as follows:

Chapter 2 attempts to define eHR and the related concept of business to employee (B2E).

Chapter 3 reviews the reasons why organisations typically seek to adopt eHR and what they hope to gain.

Chapter 4 provides an overview of the current applications of eHR and the web-enablement of key HR processes, including e-recruitment and e-learning.

Chapter 5 looks at the impact of eHR on the service delivery model adopted by the HR function, its relationship with third-parties and the changes required of HR professionals own skills and capabilities.

Chapter 6 summarises the lessons learnt by organisations that have implemented eHR. it concludes with a summary of some of the 'human' challenges organisations are facing when implementing technology-dependent innovations and HR services. It raises a number of paradoxes and potential issues, which HR should take ownership for resolving.

2. Defining eHR in Context

In this first chapter we attempt to define what is meant by eHR and B2E. We look at the HR technology that lies behind this 'transformation', the different levels of adoption by employers, and the distinguishing features of eHR strategies.

2.1 Defining what we mean

2.1.1 eHR

People mean different things by the term eHR. The more visionary, advanced interpretations describe a fully integrated, organisation-wide electronic network of HR related data, information, services, databases, tools, applications and transactions, that are generally accessible at any time by employees, mangers and HR professionals. More basic, aspirational interpretations, suggest that an organisation's implementation of a new software package for payroll, or the posting of company policies on an intranet, signals its adoption of eHR.

For the purposes of this report we can define eHR as:

> *the application of conventional, web, and voice technologies to improve HR administration, transactions and process performance.*

Typically, the term 'eHR' is used to describe technology's role in enabling the transformation of solely HR activity. Instead of a centralised personnel team handling everyday tasks such as approving pay rises, sorting out training and checking holiday entitlements, these can be handled by the employees themselves or their line manager.

2.1.2 Business to employee (B2E)

Understanding is further complicated by the use of the term B2E often interchangeably with eHR.

Business-to-consumer (B2C) communications and transactions through websites were among the first business uses of Internet technology. Business-to-business applications soon followed through more specialised password-protected websites or secure extranets. The latest use of Internet technology is for Business-to-employee exchanges through B2E portals, which provide employees with a single point of access to their employer's business intelligence and HR information.

A 2002 survey of European employers adopted the definition of B2E as:

> *the application of any technology enabling managers and employees to have direct access to HR and other workplace services for communication, performance reporting, team management, knowledge management, and learning … in addition to administrative applications.* (Watson Wyatt, 2002)

2.1.3 Is there a difference?

Although both might encompasses similar applications of technology, there is a distinction to be made between the use of the terms eHR and B2E.

eHR is more confined to those activities that typically fall within the HR function, empowering employees with employee self service and a more responsive HR service. Those organisations explicitly using the term B2E to describe their adoption of technology within HR management are more likely to embrace a wider range of activities, including knowledge management and data mining, new office work-styles, remote access and employee 'lifestyle' propositions such as electronic concierge services *etc.*

Despite a certain amount of confusion and a large amount of hype, it is clear that organisations do not all look at eHR in quite the same way. In order to define what eHR really means, we have to look at the different levels to which HR is deploying the different technologies in employer organisations.

2.2 HR technology

eHR is a technology-enabled transformation that depends on having an adequate IT infrastructure in place. Consequently, every organisation enters the eHR journey at a different point. It is arguable that it has only really become feasible to implement significant eHR programs in the last two years as a result of the massive investments made in networks and major systems in the run up to Y2K.

2.2.1 Infrastructure

The technological infrastructure available to the HR function considering eHR is made up of:

- **Standalone web tools and CD-ROM solutions**. These include online application forms, tests, appraisal databases, 360-degree performance assessments and so on. A recent survey by IDS of 45 companies in the UK found most to use at least one proprietary software or CD-ROM product. Overall use across the full spectrum of HR activity was found to be limited, despite the burgeoning number of suppliers. The most common areas where such systems are used are employment law, payroll, heath and safety compliance, and employee absence recording. (IDS, 2001)
- **HR/Corporate intranet**. In the late 1990s, companies began rolling out intranets, the electronic networks that enable information to be communicated across organisations. The posting of static information such as company policies, rules and regulations, and training details, are now relatively commonplace. A survey of 52 UK employers delivered HR services via their intranet pages (IDS, 2002). Currently, HR departments are working with IT to develop links between their back-end systems, such as payroll and employee information databases, and the corporate intranet. These links let employees interface directly with HR applications, and make changes or inquiries, without involving HR staffers. With the completion of these interfaces, some HR departments are adding collaborative capabilities that automate workflow, such as the approval of job requisitions or expense reports. Forms are automatically routed around the company, for example between the employees, their line managers and accounts departments.

- **Human Resource Information System (HRIS)**. The HRIS system is the primary transaction processor, editor, record-keeper, and functional application system that lies at the heart of all computerised HR work. It could be any one of the following:

  - bespoke (internally developed or externally contracted)
  - standalone, specialist package software
  - enterprise software, *ie* offered as part of an Enterprise resource Planning (ERP) solution (*eg* SAP)
  - or a combination of any of the above.

  It is not unusual for large organisations to have deployed their HR information systems (HRIS) nearly a decade ago. These applications, though often ungainly and unintegrated, helped HR automate some of its processes, paving the way for web systems. In response to this developing demand for more flexible, online HR systems, there have been two major moves. On the one hand, major HR systems providers, such as Peterborough Software and PeopleSoft, have adapted their core personnel and payroll systems in order to provide the web-based functionality customers are looking for. On the other, several specialist providers have emerged, with specific online applications. It is not essential for a HRIS to be web-enabled in order to run across a company's existing PC network. However, there is growing demand to be able to access HR systems remotely and at any time – possible via a web-based front end.

- **B2E Portals** offer a single intranet screen from which to access multiple internal or external services. Portals have the potential to organise and deliver vast stores of structured data (*eg* customer relationship/sales reports), unstructured information (*eg* word processing documents, spreadsheets) and other content (*eg* GroupWare, email, web pages and newsfeeds). In addition, portals can be personalised according to the role profile and interests of the individual, *eg* 'MY HR'. HR can designate the information to appear in the company portal, and the roles that can view it.

- **Enterprise Systems (ERP)**. Some would argue that whilst intranets provide the plumbing, and web browsers can provide the access, it is the business intelligence software, such as data-mining and executive information, that provide the real engines in most new HR systems. Beyond the intranet, many HR

organisations are looking to use the web to link their back-end systems with those of their insurance, payroll and retirement service providers, in the same way as buyers and suppliers of goods and materials link their applications to speed manufacturing. Finally, most of the leading ERP software vendors, including Oracle, PeopleSoft and SAP, now offer web-enabled HR software as well.

- **HR-XML**. Many HR departments are taking a hard look at HR-XML, an emerging set of specifications designed to help HR applications work together over the web. Early HR-XML guidelines have focused on recruiting systems, but standards for benefits administration are not far behind.
- **Application Service Providers (ASPs)**. In some cases, Internet technology is opening the door for companies to outsource administrative HR tasks. A growing number of ASPs offer HR-oriented capabilities. It is claimed that the market for HR outsourcing will grow. Whether this is a real trend or a marketing ploy will be tested in future IES research. The ASP model is especially attractive to small and medium size companies that do not have millions of dollars to fund a comprehensive HRIS. Several vendors offer software and services that enable companies to offer personalised self-service technology to employees via a web interface.
- **Telephony**. Whilst the primary enablers for eHR are the Internet technologies, telephony is a key component of HR service delivery, from call and service centres. Interactive Voice response (IVR) is a relatively low-tech method, using the push-button control facility found in most modern telephones. The system is restricted but easy to use and is inexpensive in comparison to web-based methods. It is suitable for job vacancies and training course details, where straightforward information can be recorded as simple scripts.

2.3 An evolutionary process?

A cursory reading of the volumes of literature available from the software vendors, suggests that the process of adopting eHR is a relatively straightforward and step-by-step affair: moving from:

- the posting of purely static information such as policies, vacancy lists *etc.* on the intranet
- to simple transactions

- to workflow and external transactions
- ultimately to fully web-enabled.

In reality, the evolutionary path to eHR, if that is what it is, is far from straight.

2.3.1 Three levels of adoption

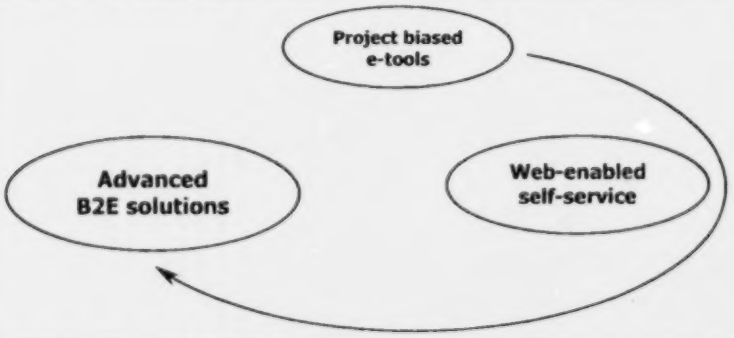
Typically, organisations can be located at one of three levels in their adoption of eHR.

Level 1: Project biased e-tools

A first step is often to apply basic web-enabled tools or 'best-of-breed' technology applications to key HR processes, such as recruitment and training. Here, users look to achieve relatively quick gains with basic tools or custom applications for specific purposes.

There is an infinite range of possibilities that can extend the core HRIS as add-on (not built-in) functionality. Popular examples amongst Research Network members included: off-the-shelf packages to improve reporting from the HRIS; online recruitment portals; corporate programme communications and administration (*eg* share options); intranet-based career development and learning initiatives; *etc*.

Figure 2.1: Levels of adoption



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What organisations at this level often have in common is that, either by default or choice, they are tackling different elements individually, rather than as a coherent eHR strategy.

Level 2: Web-enabled self service

A fully integrated eHR model is characterised by an organisation-wide electronic network of data accessible at any time by HR, line managers and employees. Large organisations typically had ten or more separate HR systems – organisations operating globally can expect to have many more. It is often a priority to replace these separate systems with one, potentially global, template with configuration of a new, usually web-enabled HRIS.

At the heart of this total eHR model are **employee self service** (ESS) tools, to pull or push data from the HRIS via the intranet. Users are able to complete transactions such as amending personal details and booking training courses without having to involve HR.

Workflow technology allows them, for example, to input absence or overtime data, and route it for approval by their line manager. Essentially, a user accesses a range of employee records (perhaps their own) through a computer terminal, keys in data such as a change of address, and submits the data electronically to the next person in the chain. The system is configured so that only certain individuals are authorised for a specific level of access or range of actions. The workflow chain is organised to ensure that the most suitable person approves an action. For example, a bonus payment would be authorised by a line manager's own manager. Also, the system can be structured so a HR specialist can monitor those bonuses over a certain level. The paths and actions are all specified in accordance with company rules.

With the integration of HR systems and workflow systems, comes the means to get information out to line managers. Manager self service (MSS) typically enables line managers to view a range of personal details and aggregate information. They are also allowed to change and input certain details, and model the consequences of salary increases or bonus payments on their budgets. More generally, policy manuals, plans and strategies can be made available. MSS may include facilities to 'push' information requiring attention to managers – including those dreaded employee performance appraisals.

Any such system being used by managers rather than by specific HR staff, must be as easy to use as possible. Managers do not want to have to find their way around a major HR system. They want the relevant information presented to their desktop, with the ability to drill down if they then need any further details.

This model may be accompanied by a change in HR service delivery, for example through the creation of a move to HR shared services or through outsourcing certain activities. We look in more detail at the relationship between eHR and service delivery options in Chapter 5.

Level 3: Advanced B2E solutions

The truly visionary exponents of eHR share a responsibility to influence not just the HR function's own internal applications, but the eBusiness capability of the organisation. Advanced Business to Employee (B2E) solutions seek to influence employee relationship management via eWorking, *ie* innovations in online communications and collaboration, business intelligence and office work-style.

The eWorking strategy of one Network member, for example, is being rolled out under five propositions or streams.

- Employee self service with a series of web-enabled applications including ePay, ePersonnel details, eLearning and eTravel.
- A communications suite, which includes intra- and inter-organisational email, an interactive online newsletter, video links, eSurveys and webmail.
- Connectivity to ensure the infrastructure is in place to ensure a highly dispersed workforce can easily access the intranet via kiosks as well as PCs, and remotely where necessary.
- Web-enabled workplace that includes a mix of offices for privacy, shared work spaces, social facilities and resource centres. Hot-desking and homeworking are facilitated by 'flood-cabled' telecommunications and power for laptops *etc.* and online room booking via a central 'concierge' service.
- Business intelligence and knowledge management applications that include collaborative tools such as online meeting rooms, secure virtual workspaces, personalised dashboards and newsfeeds.

To date, perhaps not surprisingly all but a handful of companies in the UK including Cisco, Oracle, Barclays and British Airways are implementing a B2E portal. Some had already made commitments to develop personalised portals and online shopping, banking, leisure and family services. But many more are excited by the prospect of HR using technological tools to assume ownership of employee communications. The implications for the employment relationship are discussed later in this report.

2.4 Defining features of eHR

2.4.1 Visionary versus pragmatic

If there is a significant difference between the early adopters of eHR, it is in their ambitions and the scale of their commitment – the visionaries versus the pragmatists.

There is a minority of very large, visionary organisations that have committed to a long-term eHR strategy. They have an eHR strategy or long-term plan for adding technology and reorganising processes in the context of broader business objectives. Although they might be *thinking big* the sheer scale and cost of the transition demands that they *start* small with the implementation of just a few selected services, and then *scale up* – using the new web-enabled infrastructure to expand and enhance eHR solutions. Fuelled by the need to see a return on the investment made by their organisations in ERP systems in recent years, the visionaries are holding out for a common web platform on which HR systems are one of many integrated solutions.

The pragmatists on the other hand are keen, as one Network member described it, 'to pick the low hanging fruit in order to demonstrate eHR's potential'. For these organisations, the first phase of an eHR implementation should be of limited scope, focusing on a particular problem area, so that the organisation can both start to learn about eHR capabilities, and to understand the wider organisational implications of further phases. The underlying IT infrastructure is of less importance than achieving short-term business value wherever eHR solutions can be found.

In the absence of a clear strategy, a myriad of project-based initiatives can quickly develop. Each specialism within HR (*eg* recruitment, payroll, benefits management) can, not surprisingly, be keen to realise the process efficiencies that technology might bring them. Autonomous business units and enthusiastic teams can be developing overlapping e-projects that are up and running before the centre is aware. It is not uncommon for the ensuing complexity and confused accountability between initiatives to 'muddy the path' in moving towards the next stage of an integrated eHR solution.

2.4.2 Reality of a 'moving target'

Another defining feature of eHR is the extent to which it evolves as a moving target. This is, of course, partly in response to the changing needs and priorities of the organisation. Unfortunately, it is also largely due to the continual innovations and developments in the technology itself.

In these circumstances it is important for selection to be forward looking. The technology must be capable of both being flexible to meet changing business demands and sufficiently up to date so that it is not outmoded before it is launched.

The adoption of eHR is rarely achieved in sequential steps or stages. The organisational reality is likely to be complex, with various stages, extensions and further integration under way at any given time.

For example, work within Siemens on an eHR strategy began with the collection of information about what companies wanted to achieve with eHR, and what systems were already in place. To identify which HR processes were feasible targets for web-enablement, Siemens prioritised HR processes by scoring them on their importance to business results and the difficulty of getting them web-enabled and shared across the operating companies. Processes that scored high in importance and low in difficulty were defined as being in the 'strike zone' and targeted for phase one. The purpose of phase one was to lay the foundation for employee self service, and included lookup and update functionality for HR content and standardised reporting. Once phase one funding was approved, Siemens implemented the eHR processes, in one operating company at a time. Meanwhile, the more difficult work of phase two began with a detailed company-wide study of HR activity. The data were used to analyse inefficiencies and suggest ways that processes could be redesigned. Because of the

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growth in Siemens through acquisition, the company has a lot of legacy systems and variations in practice. The size and complexity of the task has meant that the implementation of phase two eHR, such as applicant tracking, performance management *etc.*, would never be a quick and easy job. Siemens consider themselves not to be on a straight-line journey, but one that they will continue for as long as they continue to add value. *Hewitt Magazine*

2.4.3 More than the technology

Although enabled by it, eHR is defined by much more than the technology used. eHR practices vary considerably in the extent to which they include the re-design of key HR processes and service delivery methods. Consequently, the level of ambition an organisation has for eHR or B2E has fundamental implications for the future configuration and design of HR roles, for the capability of HR staff, and for the management of change. The same point can also be put the other way: some ambitions in the reconfiguration of HR service delivery are only possible through the adoption of eHR. As we will discuss further in Chapter 6, there is perhaps a question of 'organisational readiness' that needs to be addressed before selecting and embarking upon eHR.

BT, for example, has an eHR strategy team that continually examines how current eHR activities fit with corporate strategy and BT's business unit structure. The unit is the crucial link between eHR, HR strategy/policy and senior HR professionals who advise the different businesses. Apart from initiating the eHR agenda, its work includes reviewing HR services delivered, setting performance standards and measuring actual performance. (Ashton, 2001)

It is perhaps unwise, then, to attempt a comprehensive definition of eHR, as every organisation's eHR strategy should be different according to their circumstances. A key issue for the organisation is that it should determine the most appropriate eHR solutions or types of technologies carefully and without jumping on the latest technological bandwagon. What works for one organisation may not work for another. A range of factors, which make up the strategic context in which HR operates, largely determines the organisation's choice of an eHR model or agenda.

It is to this strategic context, and the reasons for organisations pursuing eHR, that we now turn.

3. Reasons for Adopting eHR

In this chapter, we look at the reasons why organisations are adopting eHR, and how the changing demands of business, and ideas about the value of human and social capital, are setting challenges for the HR function and its adoption of technology.

Given that the primary focus of eHR is activity traditionally undertaken by the HR function, it makes sense to begin by asking, 'what is in it for HR?'

3.1 What does eHR have to offer HR?

3.1.1 HR Pressures and priorities

The demanding pressures, and potentially conflicting priorities faced by the HR function, are the source of endless debate. In short, HR departments are being charged with being simultaneously strategic, flexible, cost efficient and customer oriented.

Unfortunately, the evidence suggests that traditional models of HR are poorly suited to meet these challenges. Critics accuse HR departments of being the last bastions of bureaucracy in organisations, and argue that the command and control approaches they use actually impede rather than facilitate progress to strategic goals (Sparrow and Daniels, 1999).

It will be no surprise then that the available surveys report that the principal business drivers for web-enabling HR, focus heavily on improving HR services to employees and managers, and enabling the HR function to operate more strategically (Hay Group 2001, Watson Wyatt, 2002). Interestingly, in one major survey, increasing information access is the top objective for

implementing eHR in Europe – a nod to a cultural shift away from the traditionally centralised and hierarchical approach to sharing HR information (Cedar, 2001).

If eHR can offer the HR function the chance to become more strategic and business focused, it is likely to be seized upon by organisations with sufficient money to invest in an ICT infrastructure. Applying web-based technology to the HR function and practices, through forming alliances with IT to offer integrated solutions to business problems, ensures the HR function is 'playing the new game by the new rules' (Ulrich, 1999).

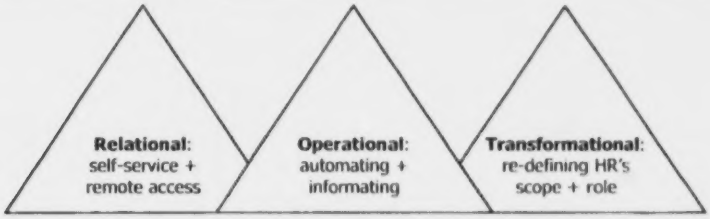
Merck Pharmaceuticals is keenly aware of the limitations of traditional HR organisations. The company's guiding vision for HR is to 'get out of the middle' between line managers and employees. This means that, rather than being an obstacle to performance and effectiveness, they want to make certain that employees and managers have all the information and resources they need at their fingertips. The goal is to increase service levels while decreasing the HR staff by 50 per cent. The company is automating routine administrative functions, making more HR-related activities self service, via web-based portals, and partnering with external firms that can provide seamless HR services to employees. In so doing, the company hopes to reduce overhead and administrative costs, increase speed and service levels, and maximise flexibility. With the resource savings, the company will be investing more heavily in knowledge management initiatives such as strengthening communities of practice and providing exchange technologies. In a knowledge-based industry such as pharmaceuticals, investments such as these are clearly where the strategic role of HR plays out most directly.

3.2 Key influences

Senior HR professionals are keen to understand how they might identify, partition and prioritise eHR applications to support their efforts to reposition the function as a true strategic business partner. A team from Cornell University, drawing upon the experiences of a large pharmaceutical company, describe three basic influences of IT upon the HR function: operational; relational; and transformational (Snell *et al.*, 2001).

Below, we expand upon their findings with the insights from our own member organisations on the potential of eHR.

Figure 3.1: eHR strategy



Source: IES 2002

3.2.1 Operational

The starting point for utilising IT within HR is often focused on improving **operational efficiency**, for example:

- reducing overhead costs by automating routine administrative functions, *eg* record keeping or payroll. This simplification of transaction processing facilitates more fundamental reviews of the design of HR processes.
- enhancing the accuracy of data on employee records and other HR information and reporting thereby reducing correction costs *etc.*
- eliminating costs associated with printing and disseminating information to employees by providing online access to information
- minimising IT infrastructure costs by moving toward a common HR service platform
- the ability to distribute and access HR policies and information globally.

3.2.2 Relational

In turn, eHR can change the nature of the relationship between HR, line managers and employees. Several of our Research Network members who are adopting eHR talked of:

- 'Getting out of the middle' between the line manager and their employees. They aim to achieve this by offering web-based tools, which enable line managers and employees to enter, edit and retrieve all the information and resources they need – whenever and wherever they need it – Employee Self service (ESS).

- New partnering relationships are required between HR and the external third parties that will offer a seamless service to employees, *eg* pensions, investments, company cars.
- Similarly, the addition of collaborative tools and knowledge management repositories provide better opportunities for HR to connect with, and to influence, other HR communities distributed across the organisation.

As is discussed in Chapter 3, eHR supporters also hope to use web-enabled technology to improve the employment relationship between the organisation and its employees.

3.2.3 Transformational

Significant internal impacts on the HR function can be expected. eHR should not simply be about finding ways to reduce HR's workload and cost. What is so attractive about eHR is that it offers the potential to transform HR's role into that of a strategic business partner, adding greater value to the business. It promises to do this by:

- increasing the function's influence as customer-focused consultants
- enabling new, flexible and responsive methods for delivering HR services
- expanding HR's reach as the experts of the organisation's people processes, and the developers of value propositions for different employee groups.

As such, it is seen by some to represent a major paradigm shift in HR management, and one which HR ignores at its peril. Whether this will be achieved or not depends upon the extent to which eHR is seen simply as a technological mechanism to achieve operational and informational improvements. It is all very well arguing that the technology will release the time and energy of the HR function, enabling it to be more innovative, more customer aware and business focused. This may only be a necessary but not sufficient condition for a transformation. There needs to be a will to change and a capability to do so within the HR function. Moreover, customers need to shift their perception of the value that HR can add.

3.3 Business drivers and the strategic context

Recognising the potential influence of eHR upon its HR function is no guarantee that an organisation will pursue eHR. An organisation's ambitions and subsequent adoption of eHR will be influenced by the strength of certain business drivers and the strategic context. Influential factors include:

Economies of scale

The size and available resources of an organisation is an obvious factor in the scale and speed of employer's adoption of eHR.

The average cost of implementing employee self service (ESS) across 342 organisations worldwide was estimated at one million US dollars in 2000 (Hunter Group, 2000).

Some large organisations will seek economies of scale internally. Others may achieve it through outsourcing, because the external service provider groups users remotely. A third variation is for organisations to club together themselves. Within local government and the NHS, for example, there are already examples of smaller Local Authorities and Trusts combining under a shared services model in order to pool their resources and maximise benefits. This may extend further into eHR.

3.3.1 Urgency

Another factor Research Network members have had to consider is whether or not eHR initiatives need to be done now, as a

Table 3.1: Self service: economies of scale

Number of employees	Average cost per employee (US$)
500	2,727
1,250	1,035
3,750	325
7,500	199
30,000	57
60,000	30

Source: Hunter Group, 2000

matter of urgency, or whether they can be deferred? If so, for how long can it wait? Considerations include:

- **Growth**: will the organisation size become too big or complex for existing HR services to handle? One member company cited the example of a merger with another as being a key driver to the investment in common, streamlined HR processes.
- **Obsolescence**: Other organisations had a relatively narrow window in which to replace or upgrade the technology supporting its existing HRIS, given the lack of required functionality *etc.* In some cases, the costs related to maintaining the required skills of the old technology, either in-house or via a supplier, had escalated dramatically.

Generally, employers we spoke to share a sense of inevitability. If they do not move to eHR now, the change will occur later, probably at higher cost. This thinking, however, does not always guarantee that funds will be made available.

3.3.2 e-Business agenda

Ulrich (2000) and others have argued that in a new e-economy, HR's primary job, and the raison d'être for eHR, is to influence the overall organisation's movement into e-business, *eg* re-skilling the workforce, nurturing fledgling start-ups, accelerating business activities.

Undoubtedly many of the early adopters of eHR have considerable e-business ambitions. Deirdre Murphy, Group Employment Manager at ICL, for example, told the Personnel Today Awards for Excellence in HR through Technology (2000):

> *'We provided a portal for our suppliers and customers. We used the same philosophy in terms of our employees. We are in e-business and we want to make sure we reflect that in the way we operate as a company.'*

Organisations like ICL share a belief that in order to compete effectively, they need to allow their employees to make full use of the opportunities technology affords. eHR is an integral component of their e-business programme.

Statements made before the e-boom bust, however, need to be treated with care. Ulrich is surely right to say that it is HR's role

to help the organisation face the business realities of the future – whatever they might be. HR should never be an uncritical friend to colleagues involved in business strategy making. Rushing headlong into e-business proved to be the undoing of some organisations. HR should be there on occasion to temper business ambitions with the realism of how easily, quickly and successfully organisations can transform themselves.

3.3.3 Employee performance

There is little arguing with the notion that employees who cannot access the information they need, who find themselves having to re-work reports because of the inability of databases to talk to one another, and are bogged down by internal administration, are more likely to be frustrated and therefore less effective. Developing the concept of a 'knowledge worker' required to perform effectively in cross-functional or virtual teams, and share knowledge across a wide network, further strengthens the attraction of integrated B2E approaches.

People portals promise employees not just the potential to access their own personal information and conduct HR transactions, but to make it easier for them to 'do business' and 'work smarter' through real-time access to business data. The use of collaboration tools should help staff work better together, supporting more efficient teamwork *etc*. Better access to information and data, it is claimed, has a positive impact on employee satisfaction as well as employee productivity.

3.3.4 Employee mobility and office workstyle

An increasing proportion of the workforce is mobile in conducting its work. eHR offers a means to support such workers.

In the past, certain flexible working options were perceived by organisations purely in terms of a staff benefit, supportive perhaps of achieving improved retention and workforce diversity. This applied to organisations encouraging remote working as much as it did to flexitime. Now there were stronger business drivers to facilitate remote work. Business process re-engineering and other strategic reviews in recent years have often identified the need, amongst other things, to work physically closer to the

customer/supplier and to achieve greater collaboration within and between other functions/business units. These new operational efficiencies or necessities have in some cases resulted in more remote working, and even in jobs becoming more 'virtual' in design. Consequently, the experience of Research Network members suggests that there is an increasing blurring of 'telework' as a form of work and 'virtual' organisations as a form of organising.

Services delivered via their intranet, or the Internet, enable line managers and employees to access information, learning opportunities *etc.* anywhere, anytime. An important element of eHR for many employers is therefore 'eWorking' – enabling employees to work effectively either from home or remotely. The more sophisticated B2E users also hope that the provision of online communication and collaborative tools will strengthen a 'sense of community' amongst employees.

3.3.5 Strengthen the employee proposition

For a growing number (but still a minority) of employers, an important driver for the adoption of B2E developments is the expectations of the talent they wish to recruit and retain. Those with a higher proportion of younger knowledge workers – generation 'I' – perceive a demand for an eWorking environment. They hope to build loyalty and begin to develop an employer brand that is attractive to the skills they require.

For employers outside of the high technology/consulting sector with a more disparate and traditional, ageing workforce, there are other strategic factors influencing their level of eHR investment. For them B2E or eHR solutions support a cultural change and enable the extension of customer relationship management (CRM) to employee relationship management (ERM). The central premise is that by treating your employees as customers they will themselves be more satisfied and better able to appreciate and respond to the need of the organisation's external customers. Put simply by one Network member:

> *'If we give our employees better services they will be better service providers.'*

3.3.6 Management information systems

An important feature of eHR is that it offers the possibility of supplying business managers with high quality management information. This is not necessarily a reason to invest in eHR by itself, but in some organisations the need to improve management information is central to the business case, not merely a useful by-product. Senior executives cannot understand why they cannot be told the number and type of employees. They get frustrated when they cannot analyse sickness information by business unit or by cause. They may want to know the age profile of the organisation by occupational group, or retention rates by location. All of this data should be available via a decent HRIS, but in many firms there are a plethora of data sources that do not link together and generate inconsistent data. An eHR (and indeed shared services) initiative may have, at its heart, the aim of bringing data together so as to offer both a more holistic view of the organisation and a richer description of its people element. This means deciding what data to collect, on what basis is it gathered, and how it should be presented.

The HR function itself can use more accurate and timely management information to gather evidence to support its proposals. This makes it more likely that its ideas will be better grounded and, if business aligned, ones that will deliver true value to the organisation.

3.4 The role of eHR in organisational effectiveness

3.4.1 Process-thinking

The support for eHR is perhaps strongest within those who have already applied process thinking to other parts of the organisation. For them, eHR represents just another enabler of a move to greater professionalisation in service delivery – another function that needs to be horizontally aligned, customer focused, and which outsources non-core activities.

3.4.2 Strength of the business case

It makes sense that those employers that see a close alignment between eHR and corporate strategy and a link to the resolution

of business issues, will be more ambitious in their investment. The strength of the business case made by HR is obviously an influencing factor.

> One retailer estimated that, given the relatively high staff turnover of the sector and the amount of time dealing with administration of staffing issues, the introduction of ESS will enable managers to spend more time on the floor. This should lead to an increase in sales of ten per cent.

In minimising the cost of HR services, eHR obviously supports a strategy of high shareholder value or, for the non-commercial sector, releases funds for other activities. What senior management increasingly wants to know, is whether or not technology will equip people to perform better and increase the bottom line. Here HR seems somewhat hesitant. It is widely understood that improved services are important, but HR, it seems, seldom places a value on impact. Self service ensures managers and employees can access the information they need and complete transactions in a way that minimises the time they are distracted from their primary role. There is, of course, no guarantee that the extra available time will be well used. Those that think that the employee proposition will be strengthened would expect to see improved quality of staff. Those who argue that better information available to employees will lead to greater motivation, would hope to identify improved productivity. Releasing precious management time, as the retailer above claims, might lead to better sales or other positive business outcomes. Yet none of these benefits is certain because it is only the input that has been changed.

3.4.3 The emperor's new clothes?

Fuelled by the claims of the consultants and technology vendors, the expectations of CEOs and senior management are high. But critical observers have equated eHR to the 'myths, false expectations, and unrealistic promises' surrounding the old Hans Christian Anderson fairy tale.

Certainly, IES member organisations share some of the same concerns regarding eHR's potential contribution. They too question, for example:

- boardroom objectives. The focus is on occasion too much on the efficiencies of eHR, *ie* cost-cutting, and not the longer-term gains enabled by a B2E infrastructure. One clear cause for concern is that discussion at senior management levels regarding the transformational impact on the HR function's capability was *'too little, too late'*.
- the extent to which eHR software is over-engineered and designed by IT consultants and not HR practitioners
- the fact that eHR is designed for the HR function and not for the line managers who should be the real custodians of people and performance
- the difficulties in securing anything other than partial access to the information people really want
- new technology does not remove poor quality data.

In order to assess whether or not eHR is meeting the promises and potential outlined in this Chapter, we should perhaps look now in more detail at what has been achieved with the web-enablement of HR processes in practice.

4. eHR Process in Practice

This chapter looks at the extent to which eHR is influencing key HR processes in practice. It draws mainly on published research but also on IES consultancy experience, and some of the illustrations of practice shared at the IES Research Network events.

4.1 Progress to date

There is very little independent research on the take-up of eHR solutions by UK-based employers. Most of the larger surveys undertaken are drawn from a predominantly North American sample and are undertaken, or funded by, proprietary software suppliers or consultants.

Quantifying eHR's use is complicated, as discussed earlier, by the variety of forms its adoption can take and the large number of potential applications and tools.

Some of the available indicators of eHR's progress to date collated for Research Network members include:

- Watson Wyatt's first European survey of B2E/eHR issues covering 173 companies in all sectors. They conclude that Europe lags behind the US in recognising the value of eHR, but is moving swiftly towards the change. 75 per cent of participating companies plan to make changes in eHR within the next two years. For UK companies, 'hard' business benefits, such as reducing costs and increasing HR productivity, feature highly. European companies (47 per cent) are more likely to seek improvements in their HR service to employees than are their UK counterparts (33 per cent). Of those who have already

implemented eHR, just eight per cent reported that they have been very effective, and 27 per cent slightly effective, in achieving the goals set. Nine per cent believe eHR to have not been effective at all, and 23 per cent do not yet know.

- A survey by Hay Group (June 2001) of largely European employers revealed 92 per cent (159 employers) were committed to web-enabling HR delivery. Only 21 per cent said that implementation was under way.
- Another recent survey of 50 UK employers, found access to the web to be high, but progress to web-enabling HR slow. In one-third of the companies, everyone can access their web from their desktop. Nearly half (48 per cent) of respondents offer employees who work away from a PC access to the web via a mobile device or kiosk. However, in only a minority of cases (28 per cent) can HR applications currently be accessed via the web. Just ten per cent of the sample have already implemented HR self service, but almost half (48 per cent) plan to do so in the future (Conspectus, 2002).
- *Personnel Today* (February 2002) reported nearly one-third of business's ranking online HR as their number one e-business initiative.
- The latest IRS Employment Review survey of 50 UK employers, found organisations to be introducing eHR strategies despite mixed reactions over their success (IRS, 2002).
- Business Intelligence's (Ashton, 2001) survey of 91 international organisations found 76 per cent had redesigned or introduced new HR technologies/systems in the last 12 months, and of those that had not, 90 per cent will do so over the next year. The same survey revealed that organisations' priority eHR processes were:
  - recruitment and selection (88 per cent)
  - learning, education and training (85 per cent)
  - employee administration (81 per cent)
  - management reporting (79 per cent).

4.2 Process re-redesign

To use the eHR technology effectively, HR cannot simply automate an existing process. To gain any real benefit, the

changeover requires a re-thinking of the process, its assumptions and outcomes.

Process thinking is thought to be taking hold within the function, albeit tentatively. Of 91 organisations survey in one report, 20 per cent said that their eHR developments had process improvement goals, compared with 35 per cent systems issues and 28 per cent administration. Eleven per cent of respondents reported the use of process re-engineering teams (Ashton, 2001).

All of the major management consultants, not surprisingly, advocate business process re-engineering: the HR function first, then e-Engineering the HR work. Processes should be examined by the re-engineering team and redesigned to:

- be better aligned with organisational goals
- streamlined so as to be cost-effective in comparison with the 'best in class'
- have a better integration with other processes.

Several of our IES Research Network members had completed, or were part way through, a programme of process re-design in one or more key areas. A crucial aspect of eHR at BOC, for example, has involved reducing 150 HR processes to 12 core processes, so that resources can be leveraged to give better business results.

Others had relied upon the fact that their software vendors or ASPs were pretty savvy regarding process effectiveness, and had implemented changes on their advice. One Network member gave us salutary advice that it may be best to complete any process review and bring about the changes, before outsourcing services. The danger of not doing so is that the outsource provider will streamline processes and pocket the benefit.

> *'We outsourced pensions administration and some other HR services when our internal systems could no longer cope and were antiquated. We didn't have the time or the skills in HR for re-engineering the processes and we didn't want to upset our HR staff. As a result we are probably receiving a slightly better service than we had before when we were doing it ourselves, but we are also paying about twice what we would have had to if we'd sorted out the process issues first.'*
>
> HR Director, Manufacturing Company

4.3 Employee self service

4.3.1 Display or transaction

The evolution to self service began with the static display of information on an organisation's intranet. For example, employees enrolling for a benefits scheme could only use technology to read about the scheme – they would have to then obtain a hardcopy form to complete and return manually.

> *'This year we will use the intranet to support an initial wave of administratively-oriented HR applications, eg job postings, employee directory, FAQs and a competency dictionary. These applications are all publishing rather than transacting. The objective of starting with these applications is to save administrative costs and build web-literacy amongst the organisation.'* HR Manager, Financial Services

Employee self service (ESS) marked a next step change, with employees able to access their personal data and modify or update their HR record – for example, when they change address or get married. Over time the transactional element of ESS has grown. The technology now enables complicated data entry and approval processes for both the employee and the manager. Employees can, for example, complete an expense form and it will be routed for their manager's approval.

4.3.2 Manager self service

Manager self service applications mainly include approval processes. Interestingly, one major survey found that half of the e-self-service tools available to managers are not HR specific (*ie* online purchase order approvals, travel and expense management, time/absence approval and reporting, and budget analysis) (Cedar, 2001). These non-HR applications require data that is managed by HR systems, such as reporting structures, compensation data *etc*. Responsibility for this data places HR in a strong position to advance self-service initiatives and draw attention to the importance of HR systems. What may be trickier is to shift senior management's perception that self service is merely a tool for administrative convenience, rather than a means of achieving strategic objectives.

4.3.3 From productivity to strategic tools

As we have said, the majority of self-service tools implemented appear to be low level productivity tools that speed up the time to complete an administrative task. There are, however, more strategic self-service applications more focused on acquiring and managing talent and knowledge. These kinds of applications could make it easier for managers to undertake workforce planning and forecasting, and for employees to maintain their skill profiles, and apply for jobs internally *etc.* Very few organisations in Europe (less than five per cent of respondents to the Cedar 2001 survey), have yet implemented self-service tools for workforce planning, succession planning and other skills management.

The recognition of the strategic importance of HR data beyond the HR function, will help place HR at the centre of enterprise portal initiatives. The new generation of business-to-employee (B2E) services accessed through a portal, herald the arrival of what is called 'collaborative self service'. Here, transactions that involve multiple parties, inside and outside the organisation, can be entered via a 'portal'.

4.3.4 Success of self service?

European respondents to the Cedar 2001 survey reported they were successful (41 per cent) or somewhat successful (59 per cent) in achieving their objectives for self service. In North America, where data is available from previous years, there is an upward trend in reported success with employee self service, and the longer companies have self service in place, the more successful they rate their initiatives.

4.4 e-Recruitment

The Recruitment process is one of the first and most popular to be web-enabled and/or be re-designed with technological innovations.

According to the latest IRS report (*IRS Employment Trends* 746, February 2002), three out of four FTSE 100 companies use their corporate website to recruit new staff. Graduates are the most targeted group. In the US, according to a Logus Research 2001 survey of the Fortune 500 companies, some 89 per cent of

companies have a corporate careers section, with 76 per cent posting jobs online. Seventy-one per cent accept online applications (Doran, 2001).

A recently completed survey by IES reveals that, of 45 participating companies, 97.7 per cent use the Internet for posting job vacancies and attracting applications, 47 per cent for streamlining recruitment administration and 37 per cent for the selection process. The use of e-recruitment for streamlining recruitment administration was found to vary by company size. Companies with 8,001 to 20,000 employees reported the greatest use in that way (71 per cent), while companies with less than 1,500 employees indicated no use at all. Just over half of the companies consider e-recruitment as very important within their overall recruiting efforts, and some 36 per cent indicate its emerging importance (Kerrin and Kettley, 2003).

The first major impact on the recruitment cycle is what some Network members describe as 'one-click multi-sourcing'. This allows an organisation to distribute their job postings across multiple sourcing channels, online and offline. For example, agencies, major Internet job boards, and the organisations own intranet, is all streamlined into a single action from the recruiter's desktop. Perhaps one of the most important components of e-sourcing is the use of the internal intranet's career site to post applications. Research Network members agree that the 'career' section is one of the most visited pages of their site.

But has the Internet just increased the volume, but not the quality of applications received? As Doran (2001) points out, the advantage of the Internet is its greater reach among passive job seekers: the disadvantage is the huge volume of unqualified candidates. To get around this problem, the most advanced website solutions handle pre-screening with a self-service qualification process.

United Biscuits graduate recruitment portal was one of the first in the UK to provide a competency-based, pre-screening tool. After reviewing online the background of the company, its jobs and career development opportunities *etc.*, interested applicants are invited to go through pre-screening by:

- entering personal details
- filing academic information

- completing a questionnaire focused on UB's 'high performance behaviours' derived from the practices of the company's top 100 managers.

If successful, candidates are given a unique password enabling access to the website's next level, where applications to specific functions can be made.

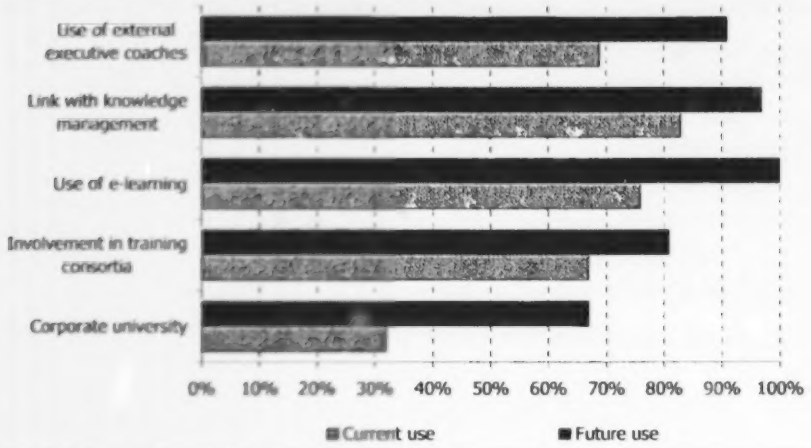
At the next stage in the recruitment cycle, reference checks, invitation to interview *etc.* can all be generated automatically. Similarly, the following elements are all typically streamlined: collecting applicant details, generating an offer, and producing a contract. The new hire will be registered on the central HRIS and prompts triggered automatically to their line manager, facilities *etc.* with the requirements necessary to ensure they will have all they need on arrival, and a smooth induction process.

IES believe that this emergence of fundamentally new information technologies and communications (ICT) processes not only increases the opportunities, but also the risks associated with the resourcing process. Unfortunately, prior research (Boudreau and Ramstad, 2001) suggests that existing resourcing process measurement systems typically fail to provide the information necessary to understand, evaluate and make rational decisions about investments in the staffing system, and fail to support decisions about staffing by HR professionals, line managers, applicants and employees. As a result, employers may base their decisions about their staffing systems solely on information about the volume of applicants or new hires, or the costs and time involved in resourcing activities. Surely the real value of resourcing and recruitment systems should be reflected in the quality, and diversity, of talent obtained and retained. Forthcoming research from IES (Kerrin and Kettley, 2003) proposes how organisations might use notions of a value chain model for evaluating the effectiveness of investments in e-recruitment.

4.5 e-Learning

It would appear that of all HR processes, learning and training is the most technologically enabled. e-Learning involves the delivery and administration of learning opportunities and support via computer, networked and web-based technology. Research from IES (Carter *et al.*, 2002), sponsored by member

Figure 4.1: Current and expected future use of selected training approaches (per cent)



Source: IES, 2002

organisations, looked at the changing patterns in the size and shape of training and development function through a survey of 101, predominately UK-based organisations (37 per cent private sector, 63 per cent public sector). As shown in Figure 4.1, e-learning is growing in popularity, with 74 per cent of respondents now using e-learning as a delivery method, and all the sample expecting to do so within three to five years.

Previous IES Research (Pollard and Hillage, 2001) established that in it broadest form, e-learning exists at three levels:

- the provision of information in an accessible and immediate way
- access to interactive learning materials and packages designed to facilitate skills or wider personal development
- a third, multi-dimensional, performance support framework coupled with processes to administer and monitor learning provision and outcomes, and to provide learners with various forms of support from experts and peers.

The experience of Research Network members confirms that employers initially used e-learning mainly for developing technical expertise, which is often an established and accepted

delivery method for building upon traditional Computer Based Training (CBT). The trend is to now look to incorporate opportunities for behavioural learning and softer skills. The new generation of e-learning portals aims to provide a range of what is called 'blended' solutions, which typically include a competency framework, learning styles assessments, career models, development planning guidance, introductions to an online mentor, self-study and classroom courses; together with tools to streamline administration and evaluation.

> Lloyds TSB's Career Management Centre is one example of the use of an intranet to deliver benefits to employee career development. Launched in February 2000, the Centre incorporates a website, which has a range of careers information and self-assessment tools. It gives information on vacancies in the various business units in the group, and provides 'learning maps' that outline the knowledge, skills and competencies required for each role. The centre also provides advice on careers and learning opportunities through the HR call centre, and gives access to coaches who offer careers advice on a one-to-one basis. (*Personnel Today*, September 2001)

The relationship of e-learning to knowledge management is still in its infancy, according to the majority of Network members. Several employers run web-based expertise directories and knowledge repositories, alongside interactive forums and spaces for 'communities of interest' to share experiences and post reports, presentations, case studies *etc.*

Network members, in common with the majority of organisations, want to know how they can tell if it is working. The reported benefits from e-learning include:

- improved accessibility of training materials
- increased flexibility, since training is delivered to employees in the workplace in 'bite size' chunks
- better consistency, with all staff receiving the same information at the same level
- sustainability of content and learning
- substantial savings in the cost of travel and associated expenses (IDS Study 723, February 2002).

Continuing research at IES is looking at the most effective evaluation approaches. The work confirms that, within an e-learning environment where contact with trainers and content

providers is virtual, it is a necessity to build in e-learning evaluation methodologies at the start of any e-learning project. Not doing this will lead to alienated learners and line managers, who are provided little or inaccurate feedback regarding their learning, combined with a poor understanding of the impact of any e-Learning initiative on performance and behaviour.

4.6 Performance management

Employers appear somewhat less sure of the potential for using technologies to significantly change and improve performance management. This is an area of eHR in which a single, one-off technical solution is unlikely. Putting all relevant performance appraisal documentation and guidance on the web is accepted practice. This allows appraisers to complete and forward appraisal forms electronically. Intranet-delivered 360-degree appraisal or feedback is also increasingly popular. Perhaps less in evidence, is organisations taking advantage of the rich material available to them in an electronic format. This enables easy analysis of matters such as training needs, performance and competency scores. This can feed other systems (training provision or performance related pay), but it can also be used for monitoring purposes, especially related to diversity and equality. Having an online record of a performance appraisal can simply be used to check that discussions are taking place, and identify where the gaps are.

An example of what can be done is given below.

> At BT, an initiative central to performance management is the creation of electronic personal profiles for every employee, tied to the capabilities and professional/technical skills the business requires. The profiles are used for development, job deployment and pay/benefits purposes. For evaluating performance, an e-performance review (e-PR) has been introduced. e-PR is completed, in principle, whenever an individual, their direct report, line manager or a countersigning manager chooses to do so, for three levels of information in an electronic format — contribution, capability and job/personal development. The system has screens for performance narratives, summaries of achievements, grades and ratings for the review period in question. (Ashton, 2001)

Some of the key issues to be resolved regarding the use of what technologies can or cannot support include:

- the extent to which eHR can push ownership for performance management to line management
- how to ensure that efficient electronic tools are used as a substitute for one-to-one discussions and feedback. Line managers and employees given more efficient, flexible performance information/tools should be able to have a better quality, more useful performance dialogue, but how can that be reinforced?
- how far can employee 'line of sight' between the goals of the organisation, the business unit and the performance expectations of their role be enhanced by posting objectives electronically?
- how can information from a performance management tool be joined up with other HR processes in career management, training and development, *etc.?*
- to what extent can e-tools such as competency modelling, personal profiles, skills databases *etc.* go further, and really improve HR planning and workforce optimisation?

4.7 e-Reward

Another rapidly evolving set of technological tools and applications, is focused on employee reward and compensation management.

The experience of Network members and our reading of the (predominantly US based) literature, suggests that there are four key areas in which eHR can have influence. They are listed below.

Automating administration and workflow

Via employee self service (ESS), employees increasingly have the option to enter their own data on overtime, expenses *etc.* and to receive electronic pay slips. System developments appear fraught with difficulties, compounded by the interface with the finance function. As yet, very few UK organisations have successfully rolled out such applications. Specific solutions for managing employee share plans are somewhat further ahead, having been adopted by several major UK companies. It is used in circumstances where there are corporate share option (*eg* SAYE) or share ownership schemes. Here, an employee signs on

through a company portal and views their personal stock information. If they decide to sell or exercise an option, they can finalise the transaction with a broker while updating the company's database and or third party vendor's application in real time.

Policy guidelines for line managers

HR can post reward policies and guidelines, not just relatively static company handbook rules (like eligibility for overtime, *etc.*), but also information regarding, say, performance-related pay budgets and market data. Automatic email message alerts can be sent to managers with upcoming pay reviews or incentive/ bonus events.

Supporting pay decisions

A variety of decision support tools are available on the market. Data from HR and finance, as well as data from outside sources, *eg* salary surveys and market comparisons are pulled together. Analytics provide the online tools for reward specialists and line managers to conduct modelling or forecasting to support reward decisions. A compensation manager, for example, might use such tools to determine the right market pay comparison for job groupings. A manager might wish to investigate why a sales-person is not meeting targets by looking at historical data on their performance record and, for example, regional differences in sales/profits.

Managing incentives

Self service models are enabling new thinking when it comes to employee incentives. The aim of any incentive management scheme is to create a line of sight for employees between effort and reward. This clarity should drive a change in behaviour, leading to increased productivity and better performance. Self-service systems allow employees to find out, whenever they wish to, how well they are performing against their targets. This is both in terms of objectives and bonus. They can measure their own progress towards their goals without management intervention. Clearly though, managers too can easily keep track of how staff are doing so that they can intervene if necessary.

One Research Network member in the management services sector is implementing an intranet application that will allow sales representatives and district managers to see if they are meeting their targets, see the final status of contracts won and lost in their region/ nationally, and view their potential pay awards.

Communicating total rewards

In recent years, employers have increased the range of benefits on offer to their employees. Many have also invested heavily in other non-salary components such as training opportunities, leisure facilities, employee assistance programs (EAPs) and other work/life initiatives (*eg* concierge services and health clubs). Not surprisingly, the majority of employees focus on their base salary and are largely unaware of the real value of other (tangible and intangible) benefits that make up the employment deal.

Employers have sought to bring home the value of the rewards on offer so that employees appreciate the total package, and do not just focus on their base pay. This may be a defensive measure on the part of management, to justify lower than market pay levels. Driven by more positive reasons is the introduction of flexible benefits. This is not a new idea, cafeteria benefits is its precursor from ten or more years ago. The impetus now is to respond to the diversity of the workforce and offer choice to allow personal needs to be met. Leave can then be traded against pay. Pension entitlement might be reduced in favour of improved medical cover. Employers believe that such measures help them to 'win the war for talent' and become 'employers of choice' in what has been a highly competitive market. With its emphasis on 'non-financial' or 'intangible' rewards, total reward is seen as a way for organisations to make themselves more 'distinctive' and appeal to, retain, and motivate ever more diverse and demanding workforces (*IDS Management Pay Review*, January 2003).

Web-based tools now offer organisations the chance to give employees access to personalised statements of their 'total' benefits. This might extend beyond the traditional to other forms of corporate support, *eg* paid time off for education or tuition reimbursement, details of conferences paid for *etc*. This information may simply list the benefits or, more likely, price them in some way. This then allows flexing to take place. Once

online, an employee can choose to change their pension contributions *etc.*

Total reward and flexible benefits are not new concepts, but web-based technology allows organisations to better describe what they offer staff, and makes it easier for employees to tailor their rewards. In this sense it can be seen as a 'win-win' situation for both employer and employee. Its popularity on the conference circuit and amongst employers might suggest that it is an idea whose time has come. However, the number of organisations that have really embraced flexible rewards is still small in number (Thompson and Milsome 2001). Rather more may have extended the range of benefits on offer. According to one survey, quality of life items are more prevalent in North America (32 per cent), but are already offered by 25 per cent of European respondents (Cedar, 2001).

There are also questions about whether real choice is being offered to employees, outside organisations with a very diverse range of benefits, and there are some practical difficulties in pricing the benefits.

4.7.1 Conclusion

Significant investment in eHR architecture would lead many organisations to consider e-reward applications. This is likely to start with automating processes, but can go further to support devolved responsibility for pay and grading decisions. How far and how fast organisations go down the route of e-reward therefore, depends upon the extent to which devolved pay responsibility is embraced.

4.8 Employee relationship management

Some of the e-enabled process innovations outlined above, focus solely on improving *transactional* efficiencies. At a more strategic level, a few leading organisations are experimenting with the *relational* impact of eHR. The jury is still out on whether there is cause or effect between eHR and employee motivation and performance. HR remains rightly cautious, despite the persuasive logic of consultants and vendors, of how much can really be achieved with technology. After all, we know from the wealth of previous research by IES and others, that an

employee's perception of an organisation will be coloured largely by the quality of their line manager. We cannot assume that employees or managers will tune into the technology or exploit its full value. With these provisos we look briefly at some of the new thinking influencing our Research Network members and others.

4.8.1 Enhanced communications

Improving the range and quality of inter- and intra-organisational *communications* using eHR is an opportunity for HR, given the potential impact on employees 'line of sight' to business goals and the quality of working relationships.

> The Cisco Employee Connection (CEC) is a corporate communications front page of a portal that receives over 18 million hits a month from the workforce of 36,000. The portal is personalised by each employee providing their own profile with contact details and a photograph, and through this means, anyone can navigate around the entire organisation. The CEC front page has several elements:
>
> - information on the organisational structure by geography, business line and function
> - breaking news highlights using video clips
> - the Cisco stock price, updated in real time
> - special topics of interest
> - a dashboard of directories.
>
> (Computers in Personnel Annual Conference, 2001)

Improving the quality of corporate communications is one potential impact. Another is more directly related to employee relationship management and employees understanding of the 'deal on offer'. For example, as discussed earlier, the driving philosophy behind communicating total rewards, is that individuals who really understand the comprehensive value of their total compensation package are more likely to appreciate the investment the employer is making in them. In turn, they will be more likely to stay – and deliver key results – because they know 'what's in it for them'. Of course, this information does not have to be delivered via eHR. However, it can be done in a more

effective manner, and if linked to flexibility in rewards, can offer a degree of empowerment to staff.

4.8.2 Knowledge and community

Another area in which e-HR, or more specifically B2E strategies, may prove valuable, is in the development of a sense of *community* within the organisation. The workplace is becoming more virtual in nature, with more people spending more of their work time away from a traditional office environments, and a greater reliance on effective working relationships with colleagues who are located elsewhere. Understandably, there is growing excitement about technology that promises to facilitate easier access to central systems, enables faster higher quality communication links and provides 'virtual' meeting places for colleagues who share common interests.

Many organisations have adopted knowledge management strategies, in which they have invested heavily in databases and repositories. As it now widely understood, such initiatives usually fail in the absence of a culture that promotes knowledge sharing. The implementation of B2E portals is at least making it easier for people to make links. Distinctions between knowledge acquisition, creation and transfer become less distinguishable, because they can happen simultaneously.

4.8.3 Employee proposition

Interest is growing in the use of corporate web portals and intranets to develop an 'employer brand' – attractive to both existing and potential future employees. As one Network member told us: 'much of the critical talent we need now is of "Generation I" – we just cannot get away with being seen to operate in an 'un-cool way'. Of the European respondents to one recent survey, 58 per cent cited employee expectations as a major driver for investing in e-HR (Watson Wyatt, 2002). This point is linked to that of e-reward. Can we brand our employee proposition in such a way that it looks up to date and appealing to a wide range of candidates?

The e-enablement of work time and place is also a consideration. BT, British Airways, GlaxoSmithKline, Scottish Enterprise and Abbey National are amongst those organisations that are

working towards building futuristic workplaces using web and voice technologies. All claim to have subsequently been able to give a proportion of the workforce greater choice of work-style, and choice over where and when they work.

Enabling employees to personalise their own desktops with the information and tools of their choice is another outcome likely to increase. For younger, more technologically minded people, this may be an attractive idea and may lead them towards organisations that invest in such an environment.

4.9 Conclusion

The implementation of eHR applications cannot be looked at in isolation from the overall service delivery model adopted by HR. In the next chapter, we review employers options in relation to the transformation of the function and its role.

5. The HR Function Transformed?

In this chapter, we turn to the HR function itself, and consider the choices eHR technology presents for the way the function is structured, the nature of the job roles it employs, and the skills/ capabilities needed to implement and sustain any such transformation.

5.1 Service delivery models

eHR innovations can only bring improvement if the HR function is clear on the services it wishes to provide and how they are best delivered. Organisations need to have reviewed the effectiveness of existing HR services in order to understand what limitations an eHR innovation, or new approach to delivery, might overcome.

5.1.1 Re-configuring HR

Every organisation will have a different configuration of how their Human Resource activity is organised. The key dimensions are by:

- **Function**: most HR professionals are to a degree organised based on their speciality (*eg* reward, employee development).
- **Customer**: again, most HR organisations have some alignment with the individual business units they support or, less commonly these days, by employee grade/level. This is usually to offer a generalist rather than a specialist service. Some customer service is provided centrally for reasons of efficiency.
- **Process**: HR staff are organised according to the process they help to perform (*eg* recruitment and selection, terminations).

- **Geography**: HR is dispersed across geography, to work in a decentralised manner to match the distribution of business activities.

In response to the need to improve the quality of HR services and their ability to demonstrate added-value to corporate performance, the majority of HR functions have tinkered with one or more of these dimensions. In particular, as we will discuss later, there has been interest in the concept of shared services.

5.1.2 Technology: A new dimension?

eHR technology has added another dimension to the measurement of HR effectiveness. In particular, it has focused on the distinction between transactional and transformational services. Transactional work (record keeping, information provision *etc.*) can be more effectively undertaken by automated, self-service eHR. This should free up time and resource for the HR function to give proper attention to transformational activities (development of talent, change management, *etc.*).

The most pragmatic argument of all, however, in focusing HR's mind on its own structure, has been the organisation's desire to cut costs. The approval for the necessary large capital investment in the eHR infrastructure may well have been achieved on the basis of cost savings in the form of a reduced headcount in HR.

> The introduction of eHR at Customs and Excise in the autumn of 2003 will start the process of releasing HR resources to be re-deployed in frontline roles. The system, which will take 24 months to implement fully, will allow the government department's 24,500 staff to access and fill in their personal records, holiday, and travel and expenses forms via the intranet. Once implementation is complete, 150 of Customs and Excise's 430 HR staff will transfer to frontline roles, including tax collection and law enforcement activities. The release of staff will come from both regional offices and central personnel units.

eHR technology has enabled employers to change the configuration or structure of the HR function via new options for delivering HR services, through, for example, call centres, web-enabled self service, and shared-service centres. These activities may be provided in-house, or in whole or in part through third party organisations, *eg* via Application Service Providers (ASPs) or outsourcing.

5.1.3 Design decisions

IES Research Network members' experience confirms that eHR necessitates that fundamental design decisions be made about, for example:

- What proportion of services will be delivered through employee and manager self service?
- What are the best means of delivery – voice, web or call centre technologies – for what circumstances?
- How do the above delivery mechanisms link up with generalist HR 'business-partners', specialist advisers, centres of excellence *etc.*?
- Where do you locate call and service centres? How important is co-location, or can you support a dispersed delivery of services?
- Which services will be delivered via a shared service centre? What kind of shared service – separate entity, internal cost or profit centre, or outsourced?

As discussed elsewhere, technology is not the only factor in determining options in HR service delivery. The different levels of access amongst sections of the workforce to the new services, and employees' willingness to use them, are just as if not more, important (see Section 5.6).

It is beyond the scope of this introductory report to explore the issues raised by the e-enablement of HR service delivery models in full. In the following section we simply highlight some of the key issues and considerations for HR's options. A more detailed discussion of the realignment of HR can be found in *Shared Services and the Re-alignment of HR* (Reilly, 2000).

5.2 HR Service centres

5.2.1 Call centres

The function of HR call centres is to take on responsibility for answering, by phone or email, relatively straightforward enquiries from line managers, other HR staff, and directly from employees.

An HR call centre does not necessarily require any eHR technology as such. Call centres have often been, however, as a

precursor to the development of employee self-service initiatives. Operating a call centre requires an organisation to formalise, standardise and document the many HR activities, in order that operators can consistently deal with a disparate range of enquires. This can help to establish which practices are out of date or could be re-designed more efficiently. Similarly, the ease with which questions and feedback from employees and line managers can be collated, enables HR to see exactly what the issues affecting the workforce are. This can help structure an ESS offering.

Many HR call centres use interactive voice response (IVR). There is an absence of any empirical research of UK employees' perceptions of a HR service delivered in this way. Anecdotal evidence from an IES member organisation, in line with broader customer surveys of IVR usage, suggests there are still problems. For example:

- Minor programming and script changes take too long or require the vendor's assistance.
- Integration with computer applications is difficult.
- Employees find the system confusing, too slow or unhelpful – it does not offer the options they require.

Recent surveys conclude that call centres for HR service delivery are far less popular amongst European employers than US employers (Watson Wyatt, 2002; Cedar 2001). Is there perhaps more of a cultural reluctance in our society to conduct our personal business over the phone? Certainly, IBM found with their HR internationally-used call centre, that there were wide variations between countries in the nature of telephone interactions – in the length of calls, and the nature and content of the discussion.

5.2.2 Shared service centres

There is growing interest in the concept of shared services (Reilly and Williams, 2003). Activities performed locally by divisions or business units are re-engineered, streamlined and centralised, so that various units pool resources and 'share' in the service delivery solution. So, HR shared service has three key dimensions that, in combination, distinguish it from other models:

- the nature of the services provided is determined primarily by the customer
- there is a common provision of services
- these are available to a number of users.

The most significant of these points is that the 'user is the chooser' as Ulrich (1995) puts it. So unlike conventional internal service provision, the customer defines the level of the service and decides which services to take up. In practice, some organisations centralise in a streamlined service centre operation merely to cut costs, without having much regard for the customer.

HR shared services cover a wide variety of activities. The principal components of a shared services operation are the undertaking of administrative tasks, and the provision of information and advice through intranets and call centres. Some companies add consultancy or project support from a shared services centre and, in addition, professional expertise or policy development through 'centres of excellence'.

In service centres, operators or 'agents' take enquiries by phone, email or online, that may already have been filtered through interactive voice response scripts or desktop HR systems. In effect, they deal with the relatively non-routine issues that cannot be handled by basic technology. However, they do use recognisable call centre techniques such as scripted protocols. The agent can enter keywords or a question into a knowledge database and bring up relevant information with which to answer the caller's query. If that query is not covered by information in the knowledge database, it can be referred to a supervisor using workflow.

HR service centres also have a fax, email and postal facility to send information, confirmations, follow-up queries and printed brochures to users. They are also monitored in the same way as conventional call centres, and can generate useful statistics on the types and frequency of enquiries.

Technology is usually a enabler of change rather than a driver in itself, but it has to be acknowledged that most shared service models would not have been possible a few years ago. Technical innovation in communications has enabled far-reaching structural change to take place. Moreover, the business case for supporting

the necessary investment in technological infrastructure is stronger when argued on a collective basis.

5.3 Third-party arrangements

Third parties play a critical role in the development and management of eHR. Even a relatively small group of Network members were able to list an array of key relationships with third parties without which their eHR efforts would be constrained. The different categories of third parties included: outsourcing providers and application service providers (ASPs), strategic consultants for process redesign *etc.*, hardware and software vendors, e-tools/solutions vendors, website designers, and facilities. In the following section, we briefly discuss some of the key issues surrounding their use.

5.3.1 Application Service Providers

Using third parties for some part of eHR provision is, for most organisations outside the high technology sector, an essential aspect of eHR. Even those employers who have managed much of the development themselves in-house will want to use 'best of breed' solutions for particular processes, *eg* e-recruitment, and these are often hosted by the external vendor.

The use of ASPs is often used as an intermediary 'quick-fix' by organisations investing in the development of their own B2E and enterprise infrastructure. The intention is for the organisation to then be able to leapfrog to more radical service options, without having had the pain or expense of upgrading internal legacy systems that would have had to be scrapped before they could ever deliver a payback.

The reported advantages of using an ASP include:

- the ability to use the best available HR technology without needing to change other areas
- the speed with which the new systems can be implemented with minimal disruption
- the fixed and predictable cost.

The disadvantages include:

- difficulties in sharing information between the organisation's HRIS and the ASP
- limited ability to customise
- levels of service varying according to overall market demand.

5.3.2 Integrated HR outsourcing

The concept of outsourcing is not a new one in the world of HR, but the sort of HR service delivery contracts now being put in place by a small number of major employers are very different from before (IDS, 2000).

Traditionally, organisations have taken a piecemeal approach to HR outsourcing, handing over control of areas such as payroll administration or healthcare benefits, on an activity by activity basis. Multi-process outsourcing, which covers the administration of everything from recruitment to training, appraisals, expatriate assignments and redundancies, is new territory and offers potentially greater benefits – but also higher risks to employee relations.

> Cable & Wireless (C&W), the global telecoms group, went down the HR outsourcing path a few months ago when it signed a five year contract worth approximately £80 million with e-peopleserve. For e-peopleserve, working closely with Accenture, the deal involved the outsourcing of accounts payable and HR support. It also covered learning and professional development services, with e-peopleserve assuming the company's resourcing/recruiting function, handling its payroll services and running its day-to-day HR operations. C&W will retain a team of 90 finance and HR professionals to provide policy and strategic direction, to interface with the business, and manage the relationship with Accenture and e-peopleserve.

As far as the suppliers of HR outsourcing are concerned, there is a distinction to be drawn between those that offer an integrated approach and those that offer expertise in particular areas. At present in the UK, there are very few providers who have the capability to deliver major contracts (*eg* e-peopleserve, EXULT and Xchanging). These providers are all focused on very large clients, *ie* those with over 10,000 employees. Other suppliers have, to date, supported more modest businesses and may not be able to provide as extensive a service as those with major clients. Finally, there are those who offer specific services in functional

specialisms, such as recruitment, payroll administration, pension administration, and training and development.

The important features of what is provided through the bigger operators include:

- extensive use of call centre and eHR approaches, enabling employee self service
- guaranteed investment and cost savings over the early years of the contracts
- bundling with other services (*eg* HR procurement, and accounts receivable and payable).

Outsourcing HR can be seen as part of an ongoing business trend to generate value and improve business delivery. Corporate unbundling, strategic redesign and developments in supply chain management will continue. This is a period of complex change and choices. Back-offices, previously regarded merely as cost centres, are now being redesigned by some organisations as dynamic value-driven centres that can help define competitive advantage. HR, as well as functions such as IT, and finance, need to be as responsive, adaptive and scalable as any other business delivery area.

5.3.3 Managing the relationship

Organisations are moving away from evaluating service provision as a cost – they are looking for added value from the relationship. Consequently some relationships are developing into partnerships or formalised joint ventures or alliances.

> One of the more innovative of HR outsourcing deals is the ongoing partnership between defence, aerospace and electronics giants BAe Systems and Xchanging, a 'pure play' outsourcing provider. Unusually for an outsourcing agreement, Xchanging agreed to invest $20m in creating a brand new eHR capability IT system for BAe Systems. In the deal worth £250 million over ten years, some 500 HR staff were transferred to a separate enterprise partnership called TogetherHR services. Although TogetherHR is a subsidiary of Xchanging, BAe Systems has a 50 per cent stake. (*Personnel Today*, February 2002)

The HR function needs to be clear how it will actively manage third-party arrangements; what formal service reviews will be

conducted with suppliers; and who is accountable for ensuring problems are resolved.

> Royal Bank of Scotland has developed what they term a co-sourcing relationship with Hewitt Associates who run the bank's HRDirect. Both parties agree the main challenge in this kind of strategic relationship is making sure roles and responsibilities are clear. From the outset, reporting processes were clearly defined. During implementation, conflicts were initially resolved as they arose. As the relationship has developed over time they have set up joint working groups and a formal, weekly, conflict resolution process including a monthly Project Co-ordination Committee. (Ashton, 2001; Reilly and Williams, 2003)

Issues of culture, management style, role clarity and conflict resolution are key to sustaining good third party relationships. IES members told us that:

> *'A spirit of "co-operation" is needed for the outsourcing "journey". Both parties, supplier and outsourcer, need to share information and processes, and adopt a can-do attitude.'*

5.4 Balancing the HR/technology mix

A common aim in eHR, however, is to achieve a model of escalation whereby:

- information and any associated forms and procedures are all available for access on the intranet, via a people-portal *etc.*
- employees and managers requiring advice or help in interpreting a policy can email or use a telephone advice line into a remote call or service centre.
- meetings with a member of HR staff are limited to complex or sensitive issues.

The reality for many organisations is one of multiple service delivery channels through which the organisation transacts with HR. Running services in parallel is often a necessity, for example, in the face of resistance from employees and managers unprepared for self service, or as a consequence of the phased implementation or failure of technology to deliver.

We spoke to one organisation which, for example, has had to extend a period of offering a 'live operator' in the HR call centre who can 'hand hold' the caller through the eHR applications. They

had originally intended that this would be for an initial training period only. The low usage rates, however, have prompted the organisation to continue a programme of proactive calling to non-user employees. The hope is that following this assistance call, the employee will want to continue to 'self-serve' in the future.

It seems likely that most HR functions would prefer to offer multiple channels at least until self and assisted service have become more culturally acceptable to the organisation. As one member organisation described their philosophy:

> *'We want to mirror our Business Model. EHR options need to form the equivalent of the premium customer service package we pay our banking customers. The availability of comprehensive self-service options that operate alongside an approachable and available HR service team, means that employees have a variety of means by which they can have their queries answered. It's all about the organisation receiving the service it wants.'* (HR Director, financial services)

Organisations do need to consider whether, if an employee moves into self service, the organisation will lose opportunities to build upon the employee/employer relationship and engagement with the company. Not all groups within the workforce are likely to have the same perception of the value of eHR/B2E services. For those for whom using a PC is not part of their everyday role, there is a danger that they perceive a switch to web-based services not to be designed to add value to them. Even desk-based employees can perceive self service to be asking them to handle part of the organisation's processes, and making them feel less important to the organisation.

The key to success lies in creating a strategy for self-service contact that is driven by business imperatives, whilst being responsive to users' needs – both employees and line managers.

5.5 Impact on HR roles

5.5.1 Changes to the activity mix

A fundamental driver behind most organisations' adoption of eHR innovations is to free up HR from the routine of low value-added administrative work, to being able to make a more strategic contribution.

IBM EMEA rolled out its European HR Service Centre to 16 countries after a UK launch in 1998. Based in Portsmouth, the centres use a single channel for all HR queries from line managers and employees. In practice, at a first level, HR generalists take a call and have two basic courses of action — either they provide immediate advice and resolve basic problems, or they refer a difficult query to HR specialists. Grouped by language, and specifically trained in customer handling skills, generalists typically handle about 80 per cent of queries which, being information related, tend not to require subject matter expertise.

Second tier specialists are HR experts, organised by process disciplines like compensation, benefits, *etc.* Crucially, they have direct links to other external HR expertise on which they can call — process teams, country staff and business partners — if they require additional advice to satisfy a customer's query or provide a case report. Though these specialists are flexible enough to cover the generalist role if required, they have four primary responsibilities:

- interpreting HR plans and programmes
- issue resolution
- trend troubleshooting — issues revealed by email, for example
- instigating service centre training.

As regards external support, process expert teams cover any escalations of problems, appeals and new policy interpretations at the centre, while country HR staff may become involved in industrial relations, HR policies and local compliance. The help of HR partners is available but may rarely be needed, given their higher level consultancy input to business unit requests and needs. (Ashton, 2001)

Research Network members agree that the overall mix of activities undertaken by their HR functions were shifting away from the administrative (*eg* processing of employee and manage transactions) to more emphasis on:

- consultancy (*eg* developing propositions to attract, retain and enhance the performance of employees), and
- strategy (*eg* providing advice and counsel to the organisation in support of its business goals).

Network members report a level of nervousness amongst their HR teams as to future opportunities within the profession. Some fear possible job loss, redeployment to an outsource provider, or narrower career paths. Other employers are more optimistic.

Their experience suggests that movement and continuous professional development is still possible within a segmented function. One expected HR advisors to attend developmental opportunities alongside business facing HR 'partners'. Another, that service centre advisors are expected to move on after two or so years into mainstream HR roles. Further research is needed to map the changes in mobility within the HR profession in this more technology-driven world.

Assuming that the configuration of HR roles and activities is right, what other issues regarding the skills, competence and preparedness of the function do we see?

5.6 Developing HR's capability

There is, it would appear, no empirical research into the development of new capabilities within an eHR environment. Given the widely different interpretations and eHR ambitions of organisations, this is not surprising.

> One Network Member in the telecommunications sector developed a comprehensive development programme for the remaining corporate HR staff, following outsourcing of core eHR services.
>
> All 'business partners' and HR specialists are required to complete core modules in three capability areas:
>
> - strategy and change implementation
> - consulting skills
> - project management skills.
>
> Action learning groups are available for the more experienced HR professionals and are supported by one-to-one coaching.

Research Network members shared similar concerns as to how best to support HR folk in:

- becoming more technologically aware and helping others to be so
- developing the wherewithal of an intelligent customer, able to choose the best external vendors

- enhancing their skills in relationship management (including a level of commercial acumen and negotiating skills) both with internal and external customers and suppliers
- the ability to determine different propositions for different communities or employees groups. To brand and market specific eHR developments
- change management and organisational development expertise.

6. Lessons Learnt and the Challenges Ahead

This report has set out to give a feel for what eHR is all about. We make no attempt here to evaluate its impact or to measure its success. We can offer a pointer to some of the lessons to be learned from what has been dubbed, by eHR leaders, the 'bleeding edge'.

6.1 Lessons learnt

6.1.1 Alignment with business strategy

- Technology decisions must be firmly rooted in business and functional strategies and HR practices, if they are to maximise the potential benefits.
- HR should expect senior management to exert more pressure on HR to justify investments in HR technology through return on investment analysis (ROI) and business case development. In response, HR will have to focus on the cumulative effect of process improvements and pay attention to small cost-saving measures spread across multiple e-projects that add up. Even when there is an expectation of a quick payback from eHR, there is danger in evaluating too soon. The focus should be on value-added, not cost alone.
- The transformed, fully-integrated HR service models appear impressive. No one denies, however, that they are initially very expensive, take two or three years to develop, and require extensive technological and people change management. Simpler routes to the effective use of eHR technologies – not necessarily world class – may meet their requirements and resources just as well. Tomorrow's typical eHR initiative may be

smaller in scale, realistic, much better defined, fairly low-risk, with a definite objective often related to improving a discrete business process, and a rapid ROI.

- Get a process right before automating it. Employers can promote ownership of new approaches by using cross-functional teams, representing all key stakeholders, to participate in the redesign stage.

6.1.2 'Employee-centric' design and implementation

- The usability of eHR applications is paramount. They should be 'employee-centric', by which is meant they are user-friendly, easy to navigate and intuitive. This requires involving the end users from the outset.

> One Research Network member from the IT sector devised a simple prototype of each HR module, implemented it with a pilot part of the business, and worked with the end users to finalise the functionality and Human-Computer Interface (HCI). A survey, focus groups and an online area for posting queries *etc.* were used to gather feedback from HR, employees and line managers.

- Employers told us, some from the benefit on hindsight, of the importance of following a clear, step-by-step implementation approach. For example, rather than rolling out everything on the intranet at once, a stair-step approach gives employees time to learn the new system piece by piece. The introduction of new tools helps to develop user interest.

6.1.3 Customise or personalise wherever possible

- It is important to offer different propositions for different end-users of eHR. For example, employee benefit sites can be organised according to demographic profiles, which helps employees in specific situations or stages of life make better use of their entire benefits package. The most effective sites (Watson Wyatt, 2000) allow employees to review benefit options relating to a single person, someone with a family or taking maternity leave, or an employee approaching retirement.
- Different regional sites and locations may have different needs and/or cultural requirements. EHR champions need to stand

firm on those principles on which consistency is key, but tailor wherever possible.

6.1.4 Ensure sufficient access for all employees

- A January 1999 survey on employee communication and technology from the Industrial Society, found that of the 408 people who responded, under one-third worked in organisations where an intranet was available to all employees. Amongst our own network, in one major plc, only 15 per cent currently have intranet access.
- If (and it's a big if) senior management is willing to invest in the infrastructure required to connect a disparate workforce, it can be done. For employees who have limited access to their own PC, a kiosk is one option. Among the IES Research Network members, one high street bank has less than 75 per cent of employees currently able to directly access the network through a PC. However, kiosks have brought the access figure closer to 80 per cent. Another option for using recorded information is an IVR system.
- One Network member has provided a text-only version of the website, that is quicker to download for mobile employees who rely on modems to dial in and are not on a LAN. Others are experimenting with making it possible to access the intranet from home or via the Internet.
- Concerns about data security must be managed from early on in order to secure management buy-in and usage. The appropriate security measures should not impede convenience or accessibility.
- Data protection requirements must also not be neglected. The concern with data security is particularly acute with ASP initiatives – the need to comply with the Data Protection Act (in allowing sensitive data to be held by third parties) and managing the threat of hacking. In internal systems, there have to be controls over getting appropriate employee authorisation for the use of personal data in a situation where that data may be employed in a multiplicity of systems.

6.1.5 Expect user resistance

- Although levels of access are higher, usage is lower in UK companies than Continental Europe, according to one survey. Although more than two-thirds of employees have access to

their intranet, just under one-third of companies (31 per cent) reported that usage is low. Hi-tech/financial companies have the highest reported levels of usage, indicative of the amount of business activity conducted online, and the lack of choice employees have as to whether to use it or not (Watson Wyatt, 2002).

- User resistance is something BP learnt all about to their cost following their £5 million outsourcing contract with Exult.

  'It has not been a challenge putting eHR on the web, but more to do with getting people to use it. Our IT and HR departments led this project, but we needed to start with the business wanting to do it in the first place! We forgot about the people and the processes and didn't get buy-in from line managers.' (John Melo, BP, *People Management*, November 2001)

- Employees who have queries, or who are experiencing difficulties using their intranet, may need someone to talk to. Some organisations offer a 'helpdesk' to answer questions and direct them to the relevant web pages. The most sophisticated applications have in-built performance support within the application, enabling a user to ask for help at any time. For some users there may be a need for initial training. This is especially important for those employees unfamiliar with intranet-based systems.

6.1.6 Be realistic about what eHR can offer

- An eWorking environment does not mean you need fewer line managers, it means you need better managers. Similarly, eHR might reduce the number of administrative roles in HR. It should not undermine the importance of HR management expertise and professionalism.
- Recognise the risk of giving too much emphasis on the development and sale of HR service offers or products, and giving insufficient attention to the content.
- It is not an all-or-nothing decision to modernise technology and re-position the HR function on the one side, and keep in touch with employees on the other. You can segment the channels of communication that offer employees personal contact where appropriate, and impersonal methods where personal interaction is unnecessary (Reilly and Williams, 2003).

6.1.7 Change management

Readiness analysis

- A view shared by several of the early adopters of eHR is that if you want people to use it, then you must take away the alternatives. For example, if there is an online facility for enrolling on training course, take away the traditional paper-based process.
- An important part of the change management role is to facilitate better communication between technical and content people. The better that IT people intimately understand HR, the better the technological solutions they suggest. The majority of eHR project teams created by Network members co-located their HR representatives and the technical staff for key periods.
- The change process also needs to engage HR staff who may be concerned about job loss, role alteration or a skill shift.

6.2 Greater challenges ahead?

6.2.1 eHR and organisational performance

Clearly, the culture and environment in which B2E technology is introduced makes the difference between success and failure (KPMG, 2001).

- Knowledge management components, for example, will be useless unless the culture encourages knowledge sharing. Knowledge management systems (such as skills databases) are often poorly populated, out-of-date and not maintained, so their value diminishes.
- Similarly, eHR will not succeed unless it is part of an employee-focused culture, where people are trusted to manage their personal affairs. A corporate intranet with an employee directory will not in itself increase performance. It may save time, but it may not necessarily make people perform better (it may just give them more time in which to perform badly).

HR needs to take ownership of establishing the relationship between the deployment of eHR, and enhanced organisational and employee performance. Questions to ask include: Do individuals actually perform better? Are functions more effective? Is the business unit enjoying better results? What's the

most effective way to measure the success of eHR, and the relationship between it and organisational performance? What specific metrics should be adopted for key issues?

6.2.2 High touch/high tech

As the guardian of employee and organisational performance, the HR function will increasingly be caught up in the growing debate regarding the sustainability of our dependence upon new technologies in the workplace.

Any HR professional working within an e-enabled organisation is likely to have heard the complaint:

> *'Well, you've directed me to the right web page but all I really wanted was to have a chat with someone other than my line manager.'*

For all the protestations about the benefits of flexible working, the jury is still out on whether or not the impact of 'technological creep' (*eg* the intrusion of mobile phone, 24/7 Internet access, *etc.*) on our work/life balance will be for the better or worse. Charles Handy (2001) attacks telework, hot desking and, above all, mobile work. He mounts a sterling defence of in-the-flesh meetings, verbal expression, body language and eye contact that, in his view, beat email, confirming that 'hi-tech needs a bit of high-touch to work well'. And if some executives use mobile IT to work anywhere, any time, well, that's only 'to impress people at the next table'.

Information Overload: Organisation and Personal Strategies, the report researched by the British Computer Society and Henley Management College, paints an alarming picture of managers sinking gradually under a burden of email that demands a growing proportion of their time in assessment and response. Three out of four respondents to the survey felt the volume of information received had a negative impact on the effectiveness of staff, and reduced productivity and the quality of company communication. In particular, it was also viewed as having a detrimental effect on individual stress levels. Although half of UK organisations now give their staff general IT core skills training leading to, for example, the BCS's European Computer Driving Licence (ECDL) qualification, our research shows that only one in five of them provide training in effective use of email

or the Internet. Less than one in four of organisations provide their staff with training in prioritisation and time management.

The concept of high tech/high touch is being adopted enthusiastically by the marketing profession as a means of understanding the societal phenomena that the more technology we introduce into our lives, the more we see a high touch response (alternative medicine, spirituality *etc.*). Workers in a 'Technology Intoxicated Zone' favour the quick fix; blur the distinction between real and fake; love technology as a toy; are distanced and distracted.

> *'Humans have introduced technology without thinking about how relationships will change, about what exactly will be enhanced, what will be displaced, what will be diminished.'* (Naisbitt, 1982)

Any HR professional seeking to attract and retain a high-performing, engaged workforce, will want to apply some of the same high tech/high touch principles to their organisation's adoption of technology.

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